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C O N F I D E N T I A L SECTION 01 OF 03 ASMARA 000396

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SUBJECT: EUROPEAN COMMISSION MAKING NICE WITH ERITREA: AT
WHAT COST, TO WHAT END?

REF: ASMARA 346

ASMARA 00000396 001.2 OF 003

Classified By: AMB Scott H. DeLisi, for reasons 1.4 (b) and (d)

11. (C) SUMMARY: More than 240 million euros for Eritrea hang in the balance as the European Commission(EC) seemingly cozies up to the Government of the State of Eritrea(GSE) and ignores its own basic principles and beliefs. Despite the displeasure and frustration of member states in Asmara, the European Commission continues to accommodate the GSE, avoiding discussions of human rights, civil liberties and economic freedoms, in order to be perceived as the GSE's constructive and flexible partner. The EC has invited President Isaias to visit Brussels in early May and the GSE plans to re-open its office there this spring. Unless it is prepared to tackle the tough issues, including Somalia, with the GSE, the EC risks sending the Eritreans signals that undercut efforts by those -- including the USG -- interested in addressing regional stability and human rights issues.
End Summary.

THE EC AND MEMBER STATES SUBJECT TO SAME SHABBY TREATMENT

12. (C) Over the past year, GSE restrictions affecting U.S. Embassy operations have been similarly applied (although to a lesser degree) to other international Missions, including the EC and its member states. The GSE requires international staff of the EC to seek travel permits to leave Asmara and often denies them travel. Access to ministry employees has been limited, and EC staff complain regularly about the lack of response to requests and inquiries and the unwillingness of the GSE to engage in substantive discussions. EC member states also experience to varying degrees the same challenges we face, including GSE refusals of travel requests, difficulties in getting visas for official visitors to travel to Asmara and detention of diplomatic pouches.

MISAPPROPRIATING FOOD AID? NOT A PROBLEM.

¶3. (C) In spring 2006, the GSE confiscated approximately 77,000 metric tons(MT) of humanitarian food aid, in support of a new, proposed Cash-for-Work scheme. The EC, who had donated 20,000 MT of this food, claimed at the time it would join the U.S. and the World Food Program(WFP) in demanding the GSE either account for the seized food or provide restitution. However, by the October visit of Roger Moore, the Director for Eastern and Southern Africa at the EC's Directorate General for Development, the EC had clearly undergone a change of heart, pulling away quickly from its initial hard stance. Moore said the EC would forgive the GSE's actions as the distribution of humanitarian food aid under a Cash-for-Work program was not inconsistent with EC regulations, and the EC would consider providing more food assistance in the future for distribution under the GSE's Cash-for-Work program. However, for the EC to write off the seized food, the GSE would need to provide the EC with an accounting of the food aid's disposition along with a more detailed description of the Cash-for-Work program. To date, and not unsurprisingly, the GSE has not provided this information. (Comment: Most likely, the GSE has not provided this information because it is not there to provide. By all observations, the Cash-for-Work program was mostly theoretical and most seized food aid was not actually distributed under this type of program. End Comment.) Over the past year, the EC routinely set stern deadlines for the GSE to provide the information, looked the other way when the deadline came, and granted the GSE extension after extension with no repercussions. (Comment: For the diplomatic community in Eritrea, it has become nearly a joke, when another deadline passes and the EC extends the due date. End Comment.)

ASMARA 00000396 002.2 OF 003

HUMAN RIGHTS VIOLATIONS? NOT THE RIGHT TIME.

¶4. (C) Despite EC proclamations about human rights, EC Commissioner Louis Michel's February 2007 visit to Asmara showed a clear abdication of these principles. Michel came to meet with GSE officials, including President Isaias as he had not yet traveled to Eritrea and had made several trips to Ethiopia. At a press conference during his visit, the local Reuters reporter asked Michel about the EC's position on the GSE's human rights abuses. In a response that dismayed the representatives from member states present in the room, Michel stated, "now is not the time to talk about human rights" and dismissed the line of questioning.

CONTRACTUAL IRREGULARITIES? NOT AN ISSUE.

¶5. (C) The EC continues to energetically pursue the GSE to accept their development assistance through infrastructure projects. The projects are undeniably of value to Eritrea's development, however, in implementation the EC appears to be stretching its own rules. For construction projects, the EC is forced to fund GSE-issued contracts solely with government-owned companies, as all functioning companies are either owned by the GSE directly or by the sole political party, the People's Front for Democracy and Justice (PFDJ)) whose chairman is President Isaias. This is the only option since virtually no private sector exists in Eritrea. (Note: The construction industry was particularly hard hit following the GSE's September 2005 Proclamation which resulted in the closure of all privately held construction companies and the arrest of their directors in April 2006. As a result, PFDJ-owned companies now do all of the construction in Eritrea without any competition and the PFDJ's import/export company is the sole entity permitted by the GSE to import building supplies. End Note.) EC staff in Eritrea speculate

that the GSE shares the EC-GSE project budget and coordinates the bidding with the PFDJ-owned companies, so the companies do not compete against each other. Not surprisingly, the bids by the PFDJ companies usually come in nearly exactly the amount available for the contract. The Germans have recognized the inherent problems in undertaking construction projects in Eritrea, and the German Ambassador has stated that Germany would no longer participate in the destruction of the private sector in Eritrea by funding such assistance projects.

¶6. (C) Conflict of interest problems have arisen in project monitoring as well. The EC requires each contract be monitored by a separate construction company, serving as the EC's consultant. However, since all of the construction companies are owned by the PFDJ, the consultant company is always a sister company of the general contractor. In the case of one EC road construction project, the consultant company abdicated its responsibility, allowing the contractor to use sub-standard materials. (Note: The EC staff in Asmara, without the support of Brussels, is looking for solutions to this conflict of interest. End note.) In addition to overseeing the quality of the work, the consultant must also ensure that all contract employees are paid at least minimum wage. Most Eritreans have no idea there is an official minimum wage, let alone know what it is. With virtually no jobs on the economy, most unemployed Eritreans, particularly laborers, are so thrilled for any source of income they are often willing to take less than minimum wage, in violation of Eritrea's own labor laws. It is also well known that the PFDJ-owned companies are frequently provided by the GSE with national service/military enlisted to do the work. The individuals in national service receive wages far below the official minimum wage, further increasing the profit margin for the PFDJ-owned companies through the (then) inflated labor estimates. As many of these construction projects happen in isolated regions of the country, the company serves as the sole provider of food and shelter to the laborers, and are able to charge whatever "living expenses" to the

ASMARA 00000396 003.2 OF 003

employees that they wish, or require PFDJ membership as a precursor to employment. EC staff have expressed frustration at their inability to monitor the labor contracts to ensure workers are receiving minimum wage.

BUT COME TO BRUSSELS AND LET'S TALK ABOUT IT

¶7. (C) According to EC Charge d'Affaires, C.B. Lostelius, President Isaias will travel to Brussels on May 6 (the original invitation was extended by Commissioner Michel during his visit). Post has heard informally that the EC plans to discuss not only assistance issues but also ways in which the EC can be helpful to the GSE in facilitating their participation with the international community in peace initiatives in Sudan and Somalia. (Comment: The EC has hosted several delegations to Eritrea to speak with the GSE about its involvement in Darfur and Somalia. The delegations' outbriefs have generally expressed a positive reaction to the rhetoric of President Isaias, whose tailored message has professed the GSE's desire to engage constructively in international initiatives in the region. Post has seen no action from the GSE that could provide the international community, or the EC, with any positive indication that the GSE intends to follow up on the President's assertions. Also discussed reftel. End Comment.) The EC and the GSE have also started discussions towards establishing formal representation in Brussels. The current MFA Director for the Americas Girma Asmerom (and former Ambassador to the U.S.) has been named to serve as the Eritrean Ambassador to the EC.

COMMENT

18. (C) The EC -- or as some suggest, Commissioner Michel -- is increasingly assuming a position with the GSE that is antithetical to the policies of its member states and the U.S. The EC's courting of the GSE ignores the GSE's worsening behavior, i.e. both the GSE's destabilizing actions in the region, to include the provision of safehaven and support to Somalia insurgent elements (to include now, clear GSE fingerprints on a recent communique from Somali dissidents in Asmara, hostile to international and TFG reconciliation efforts) and the flagrant human rights abuses of its own populace. The question remains, why? Certainly, many of the member states represented in Asmara do not believe this approach has been particularly effective with influencing the GSE. Post speculates there are several driving forces behind the EC's position, the foremost probably resulting from a naive hope that, if the EC foregoes confrontation in favor of engagement, the GSE will then be willing to partner constructively in resolving the border issue with Ethiopia and to talk about their human rights issues. More prosaically, post speculates also that the bureaucratic challenges of withdrawing money allocated to Eritrea during the 8th and 9th European Development Fund sessions keeps the EC pressing to spend these monies in-country, regardless of the obstacles. Perhaps, as well, some member states, such as France, who believe that they have a "special relationship" with the GSE (the benefits of which are not clearly evident to us), are being heard more clearly in Brussels than those who are frustrated and dismayed by GSE actions, such as the Germans, British and Dutch. Regardless of the motivations, however, the EC's courtship of Eritrea is positioning the EC as an unhelpful partner for the U.S. as we address Eritrea's increasingly destabilizing role in the region. End Comment.
DeLisi